



*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1)*

**TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi**

Interim Financial Statements
As of and For the Six-Month Period Ended
30 June 2016
With Independent Auditors' Review Report Thereon

25 July 2016

This report contains 2 pages of independent auditors' review report and 50 pages of financial statements and notes to the financial statements.

TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

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Independent Auditor's Report on Review of Interim Financial Information

To the Board of Directors of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

Introduction

We have reviewed the accompanying financial statement of financial position of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") as at 30 June 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information ("interim financial information"). Management is responsible for the preparation and fair presentation of these interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information do not present fairly, in all material respects, the financial position of the entity as at 30 June 2016, and its financial performance and its cash flows for the six month period then ended in accordance with in accordance with TAS 34.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Erdal Tikmak, SMMM
Partner

25 July 2016
Istanbul, Turkey

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TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS OF 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

ASSETS	<i>Notes</i>	Reviewed 30 June 2016	Audited 31 December 2015
CURRENT ASSETS		9,788,561	8,458,255
Cash and cash equivalents	4	5,457,671	4,364,678
Trade receivables	7	1,177,515	924,661
<i>Due from other parties</i>	7	1,177,515	924,661
Other current assets	13	3,153,375	3,168,916
NON-CURRENT ASSETS		412,894,651	413,227,240
Equity Accounted Investments	5	88,289	297,813
Investment property	8	404,699,605	403,652,500
Tangible assets	9	135,420	104,622
Intangible assets	10	18,892	21,202
Other non-current assets	13	7,952,445	9,151,103
TOTAL ASSETS		422,683,212	421,685,495
LIABILITIES			
SHORT-TERM LIABILITIES		62,791,161	172,137,219
Short term funds borrowed	6	52,902,005	164,484,300
<i>Due to related parties</i>	22	-	112,012,813
<i>Other funds borrowed</i>	6	52,902,005	52,471,487
Short term portion of long term funds borrowed	6	8,929,751	3,919,252
<i>Due to related parties</i>	22	4,037,221	3,919,252
<i>Other funds borrowed</i>	6	4,892,530	-
Trade payables	7	428,464	892,197
<i>Due to related parties</i>	22	162,917	299,838
<i>Other trade payables</i>	7	265,547	592,359
Short-term provisions	12	155,983	2,478,367
<i>Other provisions</i>	11	-	2,283,682
<i>Employee provisions</i>	12	155,983	194,685
Other short-term liabilities	13	374,958	363,103
LONG-TERM LIABILITIES		143,701,832	30,000,980
Long term funds borrowed	6	140,402,484	27,287,417
<i>Due to related parties</i>	22	25,391,227	27,287,417
<i>Other funds borrowed</i>	6	115,011,257	-
Long-term provisions	12	94,388	84,140
<i>Employee benefits</i>	12	94,388	84,140
Other long-term liabilities	13	3,204,960	2,629,423
EQUITY		216,190,219	219,547,296
Paid in capital	14	150,000,000	150,000,000
Share premium	14	593,140	593,140
Restricted reserves	14	152,670	152,670
Other comprehensive income items that never be reclassified to profit or loss	14	(9,517)	(9,517)
<i>Defined benefit plan actuarial gains / (losses)</i>		(9,517)	(9,517)
Retained earnings		68,811,003	59,774,622
Net profit / (loss) for the period		(3,357,077)	9,036,381
TOTAL LIABILITIES		422,683,212	421,685,495

The accompanying notes form an integral part of these financial statements.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

		Reviewed	Not Reviewed	Reviewed	Not Reviewed
		1 January -	1 April-	1 January -	1 April-
	<i>Notes</i>	30 June 2016	30 June 2016	30 June 2015	30 June 2015
Revenue	15	8,895,774	4,311,586	8,450,180	3,947,961
Cost of sales	15	(3,234,476)	(1,917,596)	(3,068,272)	(1,787,906)
Gross profit		5,661,298	2,393,990	5,381,908	2,160,055
Administrative expense	16	(1,505,281)	(422,066)	(1,577,639)	(460,868)
Marketing expense	17	(259,985)	(77,061)	(420,334)	(202,827)
Other operating income	18	390,818	113,208	414,779	(71,457)
Other operating expense	18	(16,545)	(448)	(23,974)	(710)
Operating profit		4,270,305	2,007,623	3,774,740	1,424,193
Share of loss of equity-accounted investees	5	(814,599)	(365,315)	(674,384)	(415,734)
Finance income	19	3,924	2,972	7,079	-
Finance costs	19	(6,816,706)	(2,816,580)	(15,438,072)	(8,212,107)
Profit / (loss) from continuing operations before tax		(3,357,077)	(1,171,300)	(12,330,637)	(7,203,648)
Tax income / (expense)		-	-	-	-
- Current tax income /(expense)	20	-	-	-	-
- Deferred tax income / (expense)	20	-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD		(3,357,077)	(1,171,300)	(12,330,637)	(7,203,648)
Earnings / (loss) per share	21	(0.0224)	(0.0078)	(0.0822)	(0.0480)
NET PROFIT / (LOSS) FOR THE PERIOD		(3,357,077)	(1,171,300)	(12,330,637)	(7,203,648)
Other comprehensive income that will never be reclassified to profit or loss					
Defined benefit plan actuarial gains / (losses)		-	-	-	-
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		(3,357,077)	(1,171,300)	(12,330,637)	(7,203,648)

The accompanying notes form an integral part of these financial statements.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş
STATEMENT OF CHANGES IN EQUITY AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

			Other comprehensive income items that never be reclassified to profit or loss		Accumulated profits			
	<i>Notes</i>	Share capital	Share premium	Defined benefit plan actuarial gains / (losses)	Restricted reserves	Retained earnings	Net profit / (loss) for the period	Total
Balance at 1 January 2015		150,000,000	593,140	(7,444)	152,670	58,231,479	1,543,143	210,512,988
Total comprehensive income		-	-	-	-	-	(12,330,637)	(12,330,637)
Transfers		-	-	-	-	1,543,143	(1,543,143)	-
Balance at 30 June 2015		150,000,000	593,140	(7,444)	152,670	59,774,622	(12,330,637)	198,182,351
Balances at 1 January 2016		150,000,000	593,140	(9,517)	152,670	59,774,622	9,036,381	219,547,296
Total comprehensive income		-	-	-	-	-	(3,357,077)	(3,357,077)
Transfers		-	-	-	-	9,036,381	(9,036,381)	-
Balance at 30 June 2016	<i>14</i>	150,000,000	593,140	(9,517)	152,670	68,811,003	(3,357,077)	216,190,219

The accompanying notes form an integral part of these financial statements.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
STATEMENT OF CASH FLOWS
AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

		Reviewed	Reviewed
	Notes	1 January - 30 June 2016	1 January - 30 June 2015
<u>A. Cash flows from operating activities</u>			
Net (loss) / profit for the period		(3,357,077)	(12,330,637)
Adjustments related to profit / (loss)			
Adjustments related to finance and interest income	15,19	(306,066)	(246,919)
Adjustments related to finance costs	19	6,816,706	15,438,072
Change in income accruals	13	49,352	(5,999)
Share of loss from equity-accounted investees	5	814,599	674,384
Amortisation expenses	9	12,843	6,492
Depreciation expenses	10	5,770	9,132
Adjustments related to provisions			
Change in expense accruals	13	101,417	36,960
Allowance for doubtful receivables	16	168,023	472,133
Provision for unused vacation pay liability	16	41,298	27,213
Provision for personnel bonus	16	80,000	80,000
Provision for employee severance indemnity	12	28,570	11,297
Cash flows provided by operating activities before the changes in working capital		4,455,435	4,172,128
Blockage on cash and cash equivalents		-	(2,788,017)
Interest received		301,950	275,360
Change in trade receivables		(420,877)	(404,554)
Change in other assets		1,382,413	1,056,093
Change in trade payables	7	(463,733)	(496,916)
Personnel bonuses paid during the period		(146,420)	(140,441)
Employee benefits paid during the period	12	(18,322)	-
Change in other liabilities		(342,205)	(238,192)
Net cash provided by operating activities		4,748,241	1,435,461
<u>B. Cash flows from investing activities</u>			
Acquisition of subsidiaries		-	(250,000)
Acquisition of equity-accounted investees	8	(1,047,105)	(10,279,623)
Acquisition of tangible assets	9	(43,641)	(44,434)
Acquisition of intangible assets	10	(3,460)	(21,940)
Net cash used in investing activities		(1,094,206)	(10,595,997)
<u>C. Cash flows from financing activities</u>			
Acquisition of funds borrowed		116,208,700	13,429,200
Repayment of funds borrowed		(111,604,922)	(8,366,675)
Interest paid		(7,160,895)	(1,356,844)
Net cash provided in financing activities		(2,557,117)	3,705,681
Effect of exchange rate fluctuations on cash and cash equivalents		(8,041)	114,693
Net increase in cash and cash equivalents		1,088,877	(5,340,162)
Cash and cash equivalents at 1 January	4	4,363,793	7,571,485
Cash and cash equivalents at 30 June	4	5,452,670	2,231,323

The accompanying notes form an integral part of these financial statements.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANISATION AND OPERATIONS OF THE COMPANY

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.’s (the “Company”) main activity is to invest in properties, property projects and property related capital market instruments. The Company was established on 3 February 2006.

The headquarter of the Company is registered in Meclisi Mebusan Cad. Molla Bayırı Sok. No: 1 34427 Fındıklı - Istanbul, Turkey. The number of personnel employed in the Company as at 30 June 2016 is 14 (31 December 2015: 12).

The Company is a subsidiary of Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) and was registered on 3 February 2006. In accordance with the relevant article of the Capital Markets Board of Turkey (“CMB”) Communiqué on the Principles of Real Estate Investment Trusts, which was in force at that date, as real estate investment trusts have to apply to the CMB with the request that the share certificates representing at least 49% of the paid-in capital that will be offered to the public are registered in the time periods changing according to the capital amounts, and as the period expires on 3 February 2007 for the Company, the Company applied to the CMB on 30 January 2007 for the extension of the public offering for one year, considering the risk perceptions regarding the existing and expected market conditions, and received the extension approval on 12 March 2007. It was stated in the letter sent by the CMB to the Company on 17 December 2007, relating to the permission application for the increase of the Company’s paid-in capital in 2007 from TL 10,000,000 to TL 75,000,000, that the deadline for board registry application for the public offering of the Company shares was extended to 3 February 2009 as the capital of the Company was increased to TL 75,000,000, in accordance with the CMB decision dated 19 April 2007.

The Company decided that its paid-in capital, which was TL 75,000,000, would be increased by TL 25,000,000 to TL 100,000,000, with the registered capital ceiling of TL 100,000,000, and that the increased capital would be paid by the shareholders in proportion to their shares, in its extraordinary general assembly dated 24 November 2008. The capital increase was registered on 28 November 2008 and was published in the Turkish Trade Registry Gazette No. 7202, dated 3 December 2008. Again, in accordance with the Communiqué article which was in force at that date, as it was foreseen that the public offering of the real estate investment trusts whose paid in capital is TL 100,000,000 or more, is to be made within five years of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, the CMB informed the Company with the letter dated 10 November 2008 that the deadline for the public offering of the Company shares is 3 February 2011.

On the other hand, with the amendment dated 31 December 2009 made by the CMB to the Communiqué on the Principles of Real Estate Investment Trusts, the application that a time is granted for trusts which are established instantaneously or which become real estate investment trusts by amendment of articles of association with regards to a public offering, is cancelled and it is made obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares be registered. In addition, in the temporary article prepared to clarify the status of the existing real estate investment trusts whose shares are not offered to the public, against the amendment in the Communiqué, it is foreseen that companies with the status of real estate investment trust by establishment or transformation before the publishing date of the Communiqué amendment, would apply to the CMB with the request that minimum 25% of their issued capital be offered to the public.

As per the Board of Directors resolution dated 2 February 2010 numbered 96, it has been decided to increase the paid in capital of the Company by TL 50,000,000 to TL 150,000,000 and the increased shares to be offered to the public through the restriction of the pre-emptive rights of the existing shareholders. With the capital increase by 50%, nominal value of C group shares amounting to TL 50,000,000 (with additional sales TL 57,500,000) which will be offered to the public for the first time were registered by the CMB with the record number GYO 60/250 on 25 March 2010. Public offering of the shares was realised on 1 and 2 April 2010 and the Company shares are being traded on the Istanbul Stock Exchange since 9 April 2010.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANISATION AND OPERATIONS OF THE COMPANY *(continued)*

The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Bilici Yatırım-TSKB GYO Adana Otel Projesi Adi Ortaklığı (“Adana Otel Projesi Adi Ortaklığı”) on 26 May 2011. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Divan Turizm İşletmeleri A.Ş. (formerly known as Palmira Turizm Ticaret A.Ş.).

The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Anavarza Otelcilik Anonim Şirketi on 27 March 2015. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The main operations of Anavarza Otelcilik A.Ş. is to operate hotel, motel etc., that includes accommodation facilities, eat-drink, sports, entertainment, health care services.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1. Statement of compliance

The accompanying financial statements have been prepared in accordance with Turkish Accounting Standards 34 (“TAS 34”) “Interim Financial Reporting” promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the communique numbered II-14.1 “Communique on the Principles of Financial Reporting In Capital Markets” (“the Communique”) of the Capital Markets Board of Turkey (“CMB”), which is published on 13 June 2013 at the Official Gazette numbered 28676.

The statement of financial position as at 30 June 2016, and statement of profit or loss and other comprehensive income for the six-month period then ended have been approved for issue by the Board of Directors on 25 July 2016. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries.

2.1.2. Basis of presentation of financial statements

The accompanying financial statements of Capital Markets Board (CMB) dated 13 June 2013 and 28676 numbered Official Gazette has been prepared in accordance with the provisions of the Communiqué No.II,14.1.

2.1.3. Functional and presentation currency

These financial statements are presented in Turkish Lira (“TL”), which is the Company’s functional currency. All financial information is presented in TL unless otherwise stated.

2.1.4. Comparative information

The accompanying financial statements are presented comparatively in order to identify trends in the Company’s financial position, performance and cash flows. Where necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative figures are reclassified and material changes are disclosed in the related notes. There is no reclassification in the comparative financial statements in the current period.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements.

2.3. Changes in accounting estimates and errors

The preparation of the financial statements in conformity with Communiqué No: II-14.1 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are audited on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant estimates and judgments used by the Company are included in the following note:

Note 8 – Fair value measurement of investment property

Note 12 - Provisions for employee benefits

Measurement of fair values

A number of Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classification require the use of observable market data if available.

Fair value measurement is used in the note below:

Note 8 – Fair value measurement of investment property

2.4. Standards and interpretations issued but not yet effective as at 30 June 2016

2.4.1. Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 9 Financial Instruments

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on the financial position or performance of the Company.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. Standards and interpretations issued but not yet effective as at 30 June 2016 *(continued)*

2.4.2. The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing International Financial Reporting Standards (“IFRS”) standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on [consolidated] financial position or performance of the Company. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 15 Revenue from Contracts with Customers

The standard is the result of a joint project and IASB and Financial Accounting Standards Board (“FASB”) which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognising revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. Standards and interpretations issued but not yet effective as at 30 June 2016 *(continued)*

2.4.2 The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA *(continued)*

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB’s broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of significant accounting policies

Significant accounting policies applied during the preparation of the financial statements are summarised as follows.

2.5.1. Accounting of income and expense

Revenue

Revenue includes, rental income and income from allocation of expenses related with investment property to tenants, interest income from the banks.

Rental income from investment property is recognised in profit or loss on an accrual basis. Rental income from investment property leased out under operating lease is recognised in the income statement on a straight line basis over the term of the lease. Revenue is measured at the fair value of the consideration received or receivable.

Interest income and expense

Interest income is recognised through profit or loss on accrual basis by using the effective interest method.

Interest expense is recognised through profit or loss on accrual basis by using the effective interest method.

Other income and expenses

Foreign exchange gains/losses except totally related with an investment property in progress, are recognised in profit or loss on a net basis. Other income and expenses are recognised through profit or loss on accrual basis.

2.5.2. Investment property

(i) Operating investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market’s general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

It has been assumed, all notices have been served validly and within the appropriate time.

Accounting of rental income which is arising from investment property is mentioned at Note 2.5.1.

ii) Investment property under construction

Investment property under construction are those which are held either to earn income or for capital appreciation or for both, in the future. Investment property is measured initially at cost and after initial recognition, investment property is carried at fair value and related changes are recognised in profit or loss. When the fair values of such properties cannot be determined reliably until the construction is completed, the Company accounts for such investment property under construction using the cost model until the date the construction is completed.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5 Summary of significant accounting policies *(continued)*

2.5.2. Investment property *(continued)*

ii) Investment property under construction *(continued)*

The cost of investment properties constructed by the Company includes, material costs, direct labor costs, all costs directly associated with the development of an investment property, and capitalised borrowing costs.

Borrowing costs are capitalised if they are directly attributable to the investment property under construction. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

2.5.3. Tangible assets

All tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and if any borrowing cost.

When parts of a tangible asset have different useful lives, they are accounted for as separate items (major components) of tangible assets.

Depreciation

Depreciation is recognised on a straight-line basis over the useful lives of the tangible assets from the date of acquisition. The estimated useful lives of tangible assets are as follows:

Fixtures and fittings	2-10 years
Vehicles	5 years

Subsequent costs

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in profit or loss as expense as incurred. The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5.4. Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of intangible assets is calculated on a straight-line basis over the inflation adjusted values of the useful life of the related assets. The expected useful lives of intangible assets are 2-3 years.

2.5.5. Jointly controlled entities

Jointly controlled entities are those entities over whose activities one or more entities has joint control, established by contractual agreement and requiring unanimous consent for economic benefits.

Jointly controlled entity which is constituted as Adana Otel Projesi Adi Ortaklığı and Anavarza Otelcilik A.Ş. is accounted for using the equity method in the accompanying financial statements. Under the equity method, investments in the jointly controlled entities are carried in the statement of financial position at cost plus post acquisition changes in the Company’s share of net assets of the jointly controlled entity and the comprehensive income reflects the share of the results of operations of the jointly controlled entities. Where there has been a change recognised directly in the equity of the jointly controlled entities, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Financial statements of the jointly controlled entity are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies.

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2. BASIS OF PRESENTATIONS OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.6. Impairment of assets

The Company determines whether there are any indicators for impairment at every reporting period ended. In the case of an indicator, the recoverable value of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. In this case, the impairment loss is recognised immediately in profit or loss.

2.5.7. Financial instruments

The Company has the following financial assets: cash and cash equivalents and trade receivables; and has the following financial liabilities: loans and borrowings, finance lease liabilities and trade payables.

i) Non derivative financial instruments

The Company initially recognises the financial assets on the date they are originated.

Financial instruments are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank balances with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

Due from / Due to related parties

The shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. The carrying amounts of due from and due to related parties are close to their fair values.

Trade receivables

Trade receivables are initially recognised at fair value. Subsequent to initial recognition, those assets are measured at amortised cost using the effective interest method, less any impaired losses at each reporting dates. If there is an objective evidence of uncollectibility, the Company books a provision for the doubtful receivables and losses are recognised in profit or loss. Provision is the difference between the carrying value of the receivables and probable amount of the collection. The Company management believes that the carrying amounts of trade receivables approximate to their fair values.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.7. Financial instruments *(continued)*

ii) Non-derivative financial liabilities

The Company initially recognises non-derivative financial liabilities on the date that they are originated. All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: funds borrowed and trade payables.

Financial liabilities are recognized at fair value plus any directly attributable transaction costs are recognized initially. Subsequent to initial recognition, financial liabilities are measured at amortized cost of by discounting future principal and interest cash flows with effective interest rate.

iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as deduction from equity, net of any tax effects.

2.5.8. Foreign currency transactions

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TL, which are the functional currency of the Company and the presentation currency for the financial statements.

Transactions in foreign currencies are translated into functional currency at Central Bank’s exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to TL or presentation of foreign currency denominated monetary assets are recognised in profit of loss.

2.5.9. Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (see Note 21).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustments on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.10. Events after the reporting period

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorised for the issue. There are two types of events after the reporting period:

- those that provide evidence of conditions that existed as at reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company’s financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

2.5.11. Provisions, contingent assets and contingent liabilities

A provision is recognised when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the notes.

If the inflow of economic benefits is probable, contingent assets are disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur, such asset and income statement effect are recognised in the financial statements at the relevant period that income change effect occurs.

2.5.12. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor in the operating lease transactions

Operating lease income is recognised in profit or loss with straight-line method through the term of the lease.

2.5.13. Related parties

Shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.5.14. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, whose operating results are reviewed regularly by the authorised body of the Company (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.15. Government grants and incentives

As explained below in 2.5.16, the Company is exempted from the corporation tax because of its real estate investment trust company status.

2.5.16. Taxation

Corporate income tax

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts (“REIT”) is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to New Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(34). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers and determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Corporate income tax *(continued)*

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

According to TAS 12 – *Income Taxes*, deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognised.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.17. Employee benefits / reserve for employee severance indemnity

The Company recognizes obligations related to employee severance indemnity in accordance with TAS 19 *Employee Benefits*.

The Company reflected obligations regarding to employee severance indemnity in the accompanying financial statements. The Company recognize actuarial gains and losses under equity.

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

The provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. Reserve for employee severance indemnity is calculated based on the ceiling rate announced by the Government.

2.5.18. Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, receivables from reverse repos and bank balances having maturities shorter than 3 months.

2.5.19. Restrictions on the investment portfolio of real estate investment

The information in “Control of compliance with restrictions on the investment portfolio” note are summary information prepared from financial statements which are presented within the framework Communiqué II.14.1 in accordance with the accounting and reporting principles accepted by the CMB and published in the Official Gazette dated 23 January 2014 numbered 28891, numbered III-48.1 “Communiqué on Real Estate Investment Basis” related to control of compliance with restrictions on the investment portfolio.

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3. SEGMENT REPORTING

Segment reporting is monitored on the project basis by the Company management. Also, each segment’s information is used for the evaluation and allocation of the resources separately by the management.

The accounting policies which are applied for segment reporting are the same as used in the Company’s financial statements.

	Pendorya Mall	Fındıklı Building 1	Fındıklı Building 2	Tahir Building	Divan Adana Hotel	Other	Total
30 June 2016							
Rental income	3,406,667	1,965,161	1,872,900	17,710	263,158	-	7,525,596
Pendorya Mall service and management charges	1,068,036	-	-	-	-	-	1,068,036
Revenue	4,474,703	1,965,161	1,872,900	17,710	263,158	-	8,593,632
Other revenue	-	-	-	-	-	302,142	302,142
Cost of sales	(2,998,552)	(103,628)	(98,763)	(33,533)	-	-	(3,234,476)
Gross profit	1,476,151	1,861,533	1,774,137	(15,823)	263,158	302,142	5,661,298
Valuation gain / (loss) on investment property	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-	-
Equity-accounted investees	-	-	-	-	(814,599)	-	(814,599)
Capital expenditure	-	-	-	-	1,047,105	-	1,047,105

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3. SEGMENT REPORTING (continued)

	Pendorya Mall	Fındıklı Building 1	Fındıklı Building 2	Tahir Building	Divan Adana Hotel(*)	Other	Total
30 June 2015							
Rental income	3,509,041	1,840,893	1,755,554	9,906	-	-	7,115,394
Pendorya Mall service and management charges	1,094,946	-	-	-	-	-	1,094,946
Revenue	4,603,987	1,840,893	1,755,554	9,906	-	-	8,210,340
Other revenue	-	-	-	-	-	239,840	239,840
Cost of sales	(2,832,321)	(106,768)	(101,819)	(27,364)	-	-	(3,068,272)
Gross profit	1,771,666	1,734,125	1,653,735	(17,458)	-	239,840	5,381,908
Valuation gain / (loss) on investment property	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-	-
Equity-accounted investees	-	-	-	-	(674,384)	-	(674,384)
Capital expenditure	348,616	1,740	-	-	17,054,223	-	17,404,579

(*)At 27 September 2011, the license of construction work for a 5-star hotel project of the Company that has been built up in Adana province, Seyhan Çınarlı District, Map 1653 and Plot 143, has been completed and relevant license is obtained from Municipality of Seyhan.

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3. SEGMENT REPORTING *(continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Sales revenue				
Total income of reporting segments	8,593,632	4,142,308	8,210,340	3,856,556
Undistributed revenue	302,142	169,278	239,840	91,405
Total sales revenue	8,895,774	4,311,586	8,450,180	3,947,961
Cost of sales				
Total cost of sales of reporting segments	3,234,476	1,917,596	3,068,272	1,787,906
Total cost of sales	3,234,476	1,917,596	3,068,272	1,787,906
		30 June 2016	31 December 2015	
Assets				
Total assets for reportable segments		404,699,605	403,652,500	
Other assets		17,983,607	18,032,994	
Total assets		422,683,212	421,685,494	
Liabilities				
Total liabilities for reportable segments		202,234,239	195,690,971	
Other liabilities		4,258,754	6,447,228	
Total liabilities		206,492,993	202,138,199	

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4. CASH AND CASH EQUIVALENTS

	30 June 2016	31 December 2015
Banks-Time	5,321,079	2,919,060
Banks-Demand	136,592	-
Reverse repo receivables	-	1.445.618
Cash and cash equivalents in the statement of financial position	5,457,671	4,364,678
Interest income accruals on cash and cash equivalents	(5,001)	(885)
Cash and cash equivalents in the statement of cash flows	5,452,670	4,363,793

As at 30 June 2016 and 31 December 2015, the details of time deposit balances at banks are as follows:

30 June 2016	Amount	Interest rate (%)	Maturity
Euro	79,826	1.00	29 July 2016
TL	3,737,390	11.10	1 July 2016
TL	1,503,863	11.75	25 July 2016
	5,321,079		

31 December 2015	Amount	Interest rate (%)	Maturity
Euro	80,537	1.15	29 January 2016
TL	2,838,523	11.00	4 January 2016
	2,919,060		

As at 30 June 2016, The Company has no receivables from reverse repo transactions (As at 31 December 2015 :1,445,618 TL.):

31 December 2015	Amount	Interest rate (%)	Maturity
Euro	1,445,618	0.70	29 January 2016
	1,445,618		

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5. EQUITY-ACCOUNTED INVESTEEES

	Ownership rate (%)	30 June 2016	31 December 2015
Adana Otel Projesi Adi Ortaklığı ^(*)	50	(2,906,513)	(2,301,438)
Anavarza Otelcilik Anonim Şirketi ^(**)	50	88,289	297,813

^(*) The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Adana Otel Projesi Adi Ortaklığı on 26 May 2011. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Palmira Turizm Ticaret A.Ş. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The nominal paid-in capital of the Adana Otel Projesi Adi Ortaklığı comprises 20,000 shares of TL 1 for each amounting to TL 20,000 in total. The Company has paid TL 10,000 in cash and in advance for the 50% ownership in Adana Otel Projesi Adi Ortaklığı.

For the contingent liabilities that may arise in the future, the Company made a provision amounting to TL 2,906,513 in its “Other Long-term Liabilities” account that is the 50% share of the Company in Adana Otel Projesi Adi Ortaklığı’s net asset value amounting to TL 5,813,026 (31 December 2015: For the contingent liabilities that may arise in the future, the Company made a provision amounting to TL 2,301,438 in its “Other Long-term Liabilities” account that is the 50% share of the Company in Adana Otel Projesi Adi Ortaklığı’s net asset value amounting to TL 4,602,876).

^(**) The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Anavarza Otelcilik A.Ş. on 27 March 2015. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The main operations of Anavarza Otelcilik A.Ş. is to operate hotel, motel etc., that includes accommodation facilities, eat-drink, sports, entertainment, health care services. The nominal paid-in capital of the Adana Otel Projesi Adi Ortaklığı comprises 2,000,000 shares of TL 1 for each amounting to TL 2,000,000 in total. As at 2 November 2015 Anavarza Otelcilik has paid-in capital of TL 2,000,000, Of the paid capital has been increased to TL 3,500,000 TL. The company the Anavarza Otelcilik 50% of capital paid out in cash against a total of 1,750,000 TL.

The total net assets of Anavarza Otelcilik A.Ş. is TL 176,578, 50% of this amount, TL 88,289 belong to the Company. This amount is recognized under the “Equity Accounted Investments” (31 December 2015: The liabilities of Anavarza Otelcilik A.Ş. is TL 595,627, 50% of this amount TL, 297,813 belong to the Company. This amount is recognized under the “Equity Accounted Investments”).

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5. EQUITY-ACCOUNTED INVESTEEES *(continued)*

As at 30 June 2016, assets, liabilities and equity, and for the six month period ended 30 June 2016, and summary of statement of profit or loss of Adana Otel Projesi Adi Ortaklığı are as follows:

	30 June 2016	31 December 2015
Total assets	15,268,543	16,010,971
Total liabilities	(21,081,569)	(20,613,847)
Net assets value	(5,813,026)	(4,602,876)
	1 January - 30 June 2016	1 January - 30 June 2015
Sales	645,081	-
Cost of sales	-	-
Net loss for the period	(1,210,151)	(1,005,776)

As at 30 June 2016, assets, liabilities and equity, and for the six month period ended 30 June 2016, and summary of statement of profit or loss of Anavarza Otelcilik A.Ş. are as follows:

	30 June 2016	31 December 2015
Total assest	2,709,028	2,470,412
Total liabilities	(2,532,450)	(1,874,785)
Net assets value	176,578	595,627
	1 January - 30 June 2016	1 January - 30 June 2015
Sales	5,394,812	-
Cost of sales	(4,607,800)	-
Net loss for the period	(377,951)	(342,991)

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6. FUNDS BORROWED

As at 30 June 2016 and 31 December 2015, the details of funds borrowed are as follows:

	30 June 2016	31 December 2015
Short-term:		
Short-term bank loans	52,902,005	164,484,300
Current portion of long-term bank borrowings	8,929,751	3,919,252
Total	61,831,756	168,403,552
Long-term:		
Long-term bank borrowings	140,402,484	27,287,417
Total	140,402,484	27,287,417
Total funds borrowed	202,234,240	195,690,969

As at 30 June 2016 and 31 December 2015, the details of bank loans are as follows:

30 June 2016				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
Euro	Euribor + 5	37,418,483	4,892,530	115,011,257
Euro	Eurolibor + 3.75	912,433	1,174,733	1,749,069
USD	Libor + 5.5	9,159,748	2,862,488	23,642,158
Euro	3,5	7,004,253	22,444,429	-
Euro	3,2	4,828,488	15,472,407	-
Euro	3,2	4,676,435	14,985,169	-
			61,831,756	140,402,484
31 December 2015				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
Euro	Euribor + 3.75	23,873,512	75,860,473	-
USD	Libor + 3.75	12,433,739	36,152,340	-
Euro	Eurolibor + 3.75	1,095,173	1,167,434	2,312,587
USD	Libor + 5.5	9,535,923	2,751,818	24,974,830
Euro	3,5	7,004,960	22,258,962	-
Euro	3,2	4,830,256	15,348,621	-
Euro	3,2	4,677,714	14,863,904	-
			168,403,552	27,287,417

Bank borrowing taken by the Company for Pendorya Mall from TSKB has been paid on 4 January 2016, by obtaining new loan T.C. Ziraat Bankası A.Ş. amounting to Euro 36,500,000 with 11 years maturity (without principle payment during the first year) and interest rate of Euribor+%5. There are mortgages amounting to Euro 60,000,000 on the Pendorya Mall due to the loans received from T.C. Ziraat Bankası A.Ş. with a 1st degree (As of 31 December 2015, there are mortgages amounting to USD 82,500,000 and Euro 25,500,000 on the Pendik loan due to the loans received from TSKB (Note 11)).

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7. TRADE RECEIVABLES AND PAYABLES

Trade receivables

Current trade receivables

	30 June 2016	31 December 2015
Other trade receivables ^(*)	1,177,515	924,661
Doubtful receivables	1,462,426	1,574,133
Allowance for doubtful receivables	(1,462,426)	(1,574,133)
Total	1,177,515	924,661

(*) As at 30 June 2016 and 31 December 2015, current trade receivables comprise of rent receivables and receivables arising from Pendorya Mall cost allocation charges.

For the six month periods ended 30 June 2016 and 31 December 2015, the movement of doubtful trade receivables related to rent receivables and receivables from cost allocation charges from Pendorya Mall is as follows:

	1 January- 30 June 2016	1 January- 30 June 2015
Beginning of the period	1,574,133	1,498,300
Allowance for the period	168,023	472,133
Reversals during the period	(227,611)	(316,546)
Collections during the period	(52,119)	(45,864)
End of the period	1,462,426	1,608,023

Non-current trade receivables

As at 30 June 2016 and 31 December 2015, the Company has not any non-current trade receivables.

Trade payables

Short-term trade payables

	30 June 2016	31 December 2015
Other trade payables ^(*)	265,547	592,359
Due to related parties (Note 22)	162,917	299,838
Total	428,464	892,197

(*) Other trade payables are consist of the payables for consultancy services amounting to TL 15,913, (31 December 2015: 51,009 TL), payables for advertising services amounting to TL 14,286 (31 December 2015: TL 31,187), payables for security services amounting to TL 77,777 (31 December 2015: TL 126,186), payables for maintenance and repair services amounting to TL 75,922 (31 December 2015: TL 149,817), no payables for cleaning services amounting to TL (31 December 2015: TL 94,987) and other payables amounting to TL 81,648 (31 December 2015: TL 139,173).

Long-term trade payables

As at 30 June 2016 and 31 December 2015, the Company has not any long-term trade payables.

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8. INVESTMENT PROPERTY

As at 30 June 2016 and 31 December 2015, the details of investment properties are as follows:

	30 June 2016	31 December 2015
Investment property under operating lease	404,699,605	403,652,500
Total	404,699,605	403,652,500

The movement of investment property for the years ended 30 June 2016 and 31 December 2015 are presented below:

30 June 2016	1 January 2016	Acquisitions	Disposals	Change in fair value	30 June 2016
Tahir Building	19,905,000	-	-	-	19,905,000
Fındıklı Building 1	81,930,000	-	-	-	81,930,000
Fındıklı Building 2	80,430,000	-	-	-	80,430,000
Pendorya Mall(*)	156,975,000	-	-	-	156,975,000
Adana Divan Hotel(**)	64,412,500	1,047,105	-	-	65,459,605
	403,652,500	1,047,105	-	-	404,699,605

31 December 2015	1 January 2015	Acquisitions	Disposals	Change in fair value	31 December 2015
Tahir Building	15,460,000	-	-	4,445,000	19,905,000
Fındıklı Building 1	63,575,000	1,740	-	18,353,260	81,930,000
Fındıklı Building 2	61,000,000	-	-	19,430,000	80,430,000
Pendorya Mall(*)	168,400,000	1,280,572	-	(12,705,572)	156,975,000
Adana Divan Hotel(**)	40,230,000	14,726,731	(1,841)	9,457,610	64,412,500
	348,665,000	16,009,043	(1,841)	38,980,298	403,652,500

(*) In accordance with the resolution of Board of Directors meeting, held on 11 October 2012, the Company purchased 1/20 share with the fair value of TL 10,728,750 of Pendorya Mall belonging to Ataman Turizm ve Ticaret Ltd. Şti. registered in Istanbul, Pendik, Doğu District, Plot 105, Map 865, Parcel 64 amounting to TL 6,000,000 + VAT and the ownership of the real estate is transferred to the Company by the completion of land registry transactions.

(**) At 27 September 2011, the license of construction work for a 5-star hotel project of the Company that has been built up in Adana province, Seyhan town, Çınarlı District, Map 1653 and Plot 143, has been completed and relevant license is obtained from Municipality of Seyhan Town.

Total interest and exchange rate differences for the loan received from Türkiye İş Bankası A.Ş. for the Adana Project amounting to Euro 3,275,000 and the investment loan received from İş Bankası A.Ş. for the same Project amounting to USD 10,475,000 had capitalized during the Project, and there is not any capitalization in the current period since the hotel was completed on 1 September 2015 (Capitalized interest for the period between 1 January – 30 June 2015 amounting to TL 921,622, foreign currency exchange difference capitalized amounting to TL 2,483,879).

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8. INVESTMENT PROPERTY (continued)

Tahir Building

Tahir Building is registered in Beyoğlu, Kemankeş Street, Murakıp District, map 121, plot 77, parcel 57. The parcel has an area of 606.62 square meters. The building area is calculated as 3,198 square meters according to the measurements made.

The value of the investment property was determined as TL 2,591,110 for 106/144 shares according to the report dated 7 November 2005 prepared by the experts assigned by the Commercial Court, and this amount was transferred by TSKB to the Company as capital in kind on 6 March 2006. TL 38,880 paid by the Company to public institutions for the transfer of the investment property was capitalised. According to the report dated 29 December 2015 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Tahir Building is determined as TL 19,905,000 according to the use of both market value and discounted cash flow projections approach. Rental income earned from Tahir Building for the six month period ended 30 June 2016 is TL 17,710 (30 June 2015: TL 9,906). There is no restriction on the investment property. Tahir Building is insured to the extent of TL 1,686,825 as of 30 June 2016.

Fındıklı Building 1

Fındıklı Building 1 is registered in Beyoğlu, Mebusan Street, map 85, plot 19, parcel 110. The parcel has a right for an area of 1,695.50 square meters and a subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 32,858,918 on 27 December 2007. TL 465,000 paid by the Company to public institutions for the transfer of the investment property was capitalised. In accordance with the report dated 29 December 2015 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Fındıklı Building 1 is determined as TL 81,930,000 according to the use of lower of market value and discounted cash flow projections approach.

In accordance with the resolution of in the board of directors meeting held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income earned from Fındıklı Building 1 for the six month period ended 30 June 2016 is TL 1,965,161 (30 June 2015: TL 1,840,893). There is no restriction on the investment property. Fındıklı Building 1 is insured to the extent of TL 15,905,000 as of 30 June 2016.

Fındıklı Building 2

Fındıklı Building 2 is registered in Beyoğlu, Mebusan Street, map 84, plot 1486, parcel 76. The parcel has an easement right for an area of 2,503.18 square meters and subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 31,140,783 on 27 December 2007. TL 463,200 paid by the Company to public institutions for the transfer of the investment property was capitalised. According to the report dated 29 December 2015 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Fındıklı Building 2 is determined as TL 80,430,000 according to the use of lower of market value and discounted cash flow projections approach.

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8. INVESTMENT PROPERTY (continued)

Fındıklı Building 2 (continued)

In accordance with the resolution of the board of directors meeting held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income earned from Fındıklı Building 2 for the six month period ended 30 June 2016 is TL 1,872,900 (30 June 2015: TL 1,755,554). There is no restriction on the investment property. Fındıklı Building 2 is insured to the extent of TL 22,285,000 as of 30 June 2016.

Pendorya Mall

Pendorya Mall is registered in Pendik, Doğu District, plot 105, map 865, parcel 64. The parcel has an area of 23,182.96 square meters. In Pendorya Mall, whose leasable area is 30,275 square meters, there are 106 stores spread over eight floors. The Company has 100% stake in Pendorya Mall. Pendorya Mall was recognised as tangible asset at cost until 1 January 2009 and classified to the investment property with its cost value on 1 January 2009.

According to the report dated 29 December 2015 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Pendorya Mall owned by the Company, was determined as TL 156,975,000 according to use of lower of cost and discounted cash flow projections approach. The model approach refers to the long-term projection using present value of after-tax cash flows to be generated by the property in the future years. The future cash flows were calculated using the assumptions taken into consideration the store rental agreements and meetings with the Company. The cash inflows from projections are discounted to present value with a discount rate suitable with the risk level of the economy, sector and investment and its fair value of the mall was calculated including the land. The cash flow is calculated on the Euro cash flows of the projection and 6.5% discount rate was used for the years between 2016 and 2025 on the model. In addition, 5% annual rent increase rate was used in the projection. Occupancy rates for the years between 2016-2020 are 95% and 98% for the forthcoming years.

In accordance with the resolution of the Board of Directors meeting held on 11 October 2012, the Company purchased 1/20 share of Pendorya Mall belonging to Ataman Turizm ve Ticaret Ltd. Şti. registered in Istanbul, Pendik, Doğu District, Plot 105, Map 865, Parcel 64 amounting to TL 6,000,000 + VAT and the ownership of the real estate is transferred to the Company by the completion of land registry transactions.

87% of rentable area of Pendorya Mall which was opened on 17 December 2009 is rented as of 30 June 2016 (31 December 2015: 89%). Rental income amounting to TL 3,406,667 was earned from Pendorya Mall for the six month period ended 30 June 2016 (30 June 2015: TL 3,509,041). Pendorya Mall is insured to the extent of TL 92,815,526 as of 30 June 2016.

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8. INVESTMENT PROPERTY *(continued)*

Divan Adana Oteli

Adana land is registered in Adana province, Seyhan Town, Çınarlı District, map 1653, plot 143. The parcel has an area of 3,608 square meters. The shareholding structure is 50% Company and 50% Bilici Yatırım San. Ve Tic. Ltd. As at 1 September 2015, hotel was completed and started to its operations by Anavarza Hotel A.Ş. which is established with a capital of 2 million TL and increased to 3.5 million TL during 2015 with a shareholder structure of 50 % Company and 50% Bilici Yatırım San. ve Tic. A.Ş.

According to the report dated 29 December 2015 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Adana Divan Hotel was determined for the 50% of the hotel as TL 64,412,500 according to use cost method.

The hotel’s building license and occupancy permit has been obtained. There is a mortgage in the amount of us 15,000,000 USD on the Adana land (Note 11) due to loans obtained from Türkiye İş Bankası. Rental income earned from Adana Divan Hotel for the six month period ended 30 June 2016 is TL 263,158. As at 30 June 2016, Adana Divan hotel is insured to the extent of TL 86,190,795 (29,786,700 USD).

Operating leases

The Company as lessor

The Company has signed operating lease agreements with Pendorya Mall tenants and TSKB as lessor. The future minimum lease payments as at 30 June 2016 and 31 December 2015 under non-cancellable leases are as follows:

	30 June 2016	31 December 2015
Less than one year	14,849,829	13,837,784
Between one and five years	20,179,494	29,099,080
More than five years	9,495,713	9,963,488
Total	44,525,036	52,900,352

The fair value measurement

Value of investment property has been determined by a real estate appraisal company which has been authorized by CMB for the valuation services. The Company's investment properties are valued by an independent real estate appraisal company annually.

The fair value measurement for investment property has been categorised as level 2 and level 3 fair value based on the inputs to the valuation techniques used. The following table shows reconciliation for level 3 fair values:

	1 January- 30 June 2016	1 January- 31 December 2015
Balances at 1 January	221,387,500	348,665,000
Additions	1,047,105	16,007,303
Disposals	-	(1,841)
Recognised other operating expense		
Change in fair value	-	(3,247,962)
Transfer(*)	-	(140,035,000)
Total	222,434,605	221,387,500

(*) Tahir Han, Fındıklı Bina 1 ve Fındıklı Bina 2 which were considered as level 3 in 2014 were considered as level 2 in 2015 due to the change in valuation techniques.

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9. TANGIBLE ASSETS

The movement in tangible assets for the six month period ended 30 June 2016 and 2015 are as follows:

	1 January 2016	Additions	Disposals	30 June 2016
<u>Cost</u>				
Furnitures&fixtures	204,618	43,641	(2,286)	245,973
Vehicles	53,423	-	-	53,423
	258,041	43,641	(2,286)	299,396
<u>Accumulated depreciation</u>				
Furnitures&fixtures	150,746	7,501	(2,286)	155,961
Vehicles	2,673	5,342	-	8,015
	153,419	12,843	(2,286)	163,976
	104,622			135,420

	1 January 2015	Additions	Disposals	30 June 2015
<u>Cost</u>				
Furnitures&fixtures	151,833	44,434	(1,143)	195,124
Vehicles	32,402	-	-	32,402
	184,235	44,434	(1,143)	227,526
<u>Accumulated depreciation</u>				
Furnitures&fixtures	138,778	5,529	(1,143)	143,164
Vehicles	31,441	963	-	32,404
	170,219	6,492	(1,143)	175,568
	14,016			51,958

As at 30 June 2016 and 2015, there is not any pledge on tangible assets.

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10. INTANGIBLE ASSETS

The movement in intangible assets for the six month period ended 30 June 2016 and 2015 are as follows:

	1 January 2016	Additions	Disposals	30 June 2016
<u>Cost</u>				
Software	75,459	3,460	-	78,919
	75,459	3,460	-	78,919
<u>Accumulated amortisation</u>				
Software	54,257	5,770	-	60,027
	54,257	5,770	-	60,027
	21,202			18,892
	1 January 2015	Additions	Disposals	30 June 2015
<u>Cost</u>				
Software	53,519	21,940	-	75,459
	53,519	21,940	-	75,459
<u>Accumulated amortisation</u>				
Software	39,015	9,132	-	48,147
	39,015	9,132		48,147
	14,504			27,312

As at 30 June 2016 and 2015, the Company does not have any internally developed intangible assets.

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Legal cases

The Pendorya Mall is built on 105th threader, 865 map, 64th parcel, east neighborhood Pendik İstanbul. The tenant of this area this Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Plaintiff ultimately filed a lawsuit against IBB and Karacan Yapı at Pendik 2nd Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7,100. The Company has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of The Company has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from “Possessory Actions” and converted to the “Confiscating without expropriating” by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645,354) to the plaintiff. Justified decision has been declared and the decision appealed by Pendik Municipality is returned from Supreme Court. IBB and the plaintiff Sağlam Satış ve Paz. A.Ş. has requested of revision of decision. Reversing decision of the Supreme Court decision is expected to evaluate the requests for correction.

Expect the above cases, there is not any other important lawsuits that the Company is a party of.

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES *(continued)*

Debt Provisions

As 30 June 2016, there is not any debt provision (The Company had provided provisions for BITT expense amounting to TL 2,283,682 for foreign currency indexed loans on 31 December 2015 reporting).

Collaterals received

The details of letter of guarantees received are as follows:

	30 June 2016	31 December 2015
Letters of guarantees	2,425,705	2,202,753
Bills of guarantees	460,957	423,067
Checks of guarantees	118,168	118,168
Mortgage document	245,000	245,000
Total	3,249,830	2,988,988

Letters of guarantee received consist of letters of guarantee received from contractors of Pendorya Mall project and from tenants for shopping mall.

Letter of Guaranties, Securities and Mortgages

As at 30 June 2016 and 31 December 2015 commitments given are as follows :

The details of letter of guarantees given are as follows:

	30 June 2016	31 December 2015
Mortgages given	235,668,000	364,519,800
Letters off guarantees	3,000,000	3,068,500
Total	238,668,000	367,588,300

There is a mortgage amounting to Euro 60,000,000 on Pendik land owned by the Company due to the loans received from T.C. Ziraat Bankası A.Ş. In addition, there is a mortgage amounting to USD 15,000,000 on the Adana land due to the loans received from Türkiye İş Bankası A.Ş.

As at 30 June 2015 and 31 December 2015 letters of guarantee given amounting to TL 3,000,000 and 3,068,500 respectively, are comprised of letter of guarantees given to the Istanbul Metropolitan Municipality with the Board of Directors resolution numbered 105 and dated 30 March 2010, for the road construction around Pendorya Mall amounting to TL 3,000,000 (As at 31 December 2015, letter of guarantees were comprised of letter of guarantees given to the Istanbul Metropolitan Municipality with the Board of Directors resolution numbered 105 and dated 30 March 2010, for the road construction around Pendorya Mall amounting to TL 3,000,000 and the remaining TL 68,500 is the letter of guarantee given to Milli Piyango, with the Board of Directors resolution numbered 314 dated 8 October 2015 which is related to lottery organisation for the new year celebration of the Pendorya Mall).

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12. PROVISION FOR EMPLOYEE BENEFITS

	30 June 2016	31 December 2015
<i>Short-term</i>		
Provision for personnel bonus	80,000	160,000
Provision for unused vacation	75,983	34,685
	155,983	194,685
<i>Long-term</i>		
Provision severance pay	94,388	84,140
	94,388	84,140
Total	250,371	278,825

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amounts as at 30 June 2016 and 31 December 2015 are TL 4,093 and TL 3,828 respectively.

In accordance with TAS 19 – *Employee Benefits*, the Company is required to use actuarial valuation methods in estimating the liability related with current retirement plans.

As at 30 June 2016 and 31 December 2015, employee severance indemnity in the accompanying financial statements has been calculated using the following actuarial assumptions;

	30 June 2016	31 December 2015
Salary increase rate	9.00%	9.00%
Discount rate	6.00%	6.00%
Discount rate (net)	4.72%	4.72%
Estimated retirement turnover rate	92.84%	92.84%

Movement of reserve for employee termination benefits for the six month period ended 30 June 2016 and 2015 are as follows:

	1 January-30 June 2016	1 January-30 June 2015
Balance at the beginning of the period	84,140	66,410
Service cost	24,499	8,309
Interest cost	4,071	2,988
Payments during the period	(18,322)	-
Balance at the end of the period	94,388	77,707

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13. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER SHORT-TERM / LONG-TERM LIABILITIES

Other current assets

	30 June 2016	31 December 2015
VAT carried forward	2,672,969	2,490,801
Prepaid expenses	202,852	332,998
Income accruals	154,798	204,150
Advances given	45,991	1,059
Prepaid taxes and funds	44,904	74,853
Job advances	10,078	13,645
Other	21,783	51,410
Total	3,153,375	3,168,916

Other non-current assets

	30 June 2016	31 December 2015
VAT carried forward	7,816,670	9,015,328
Deposits and guarantees given	135,775	135,775
Total	7,952,445	9,151,103

Other short-term liabilities

	30 June 2016	31 December 2015
Expense accruals	199,084	97,667
Taxes and duties payable	88,521	95,479
Unearned revenue / (deferred income) ^(*)	71,072	90,123
Other	16,281	79,834
Total	374,958	363,103

^(*) As at 30 June 2016 and 31 December 2015, unearned revenue comprise of rental income collected in advance.

Other long-term liabilities

	30 June 2016	31 December 2015
Deposits and guarantees received	298,447	327,985
Other provisions ^(*)	2,906,513	2,301,438
Total	3,204,960	2,629,423

^(*) As at 30 June 2016, Adana Otel Projesi Adi Ortaklığı’s total equity has a negative balance, therefore the Company made a provision for amounting to TL 2,906,513 (31 December 2015: TL 2,301,438) for 50% share of the Company in Adana Otel Projesi Adi Ortaklığı’s net asset value amounting to TL 5,813,027 (31 December 2015: TL 4,602,876).

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14. EQUITY

14.1. Paid in capital

At 30 June 2016 and 31 December 2015, the issued and fully paid-in share capital of the Company is as follows:

	Group	30 June 2016		31 December 2015	
		Share %	Amount (TL)	Share %	Amount (TL)
Türkiye Sınai Kalkınma Bankası A.Ş.	A	6.67	10,000,000	6.67	10,000,000
Türkiye Sınai Kalkınma Bankası A.Ş.	B	2.73	4,091,111	2.73	4,091,111
Türkiye Sınai Kalkınma Bankası A.Ş.	C	49.61	74,408,889	49.61	74,408,889
Yatırım Finansman Menkul Değerler A.Ş.	C	1.33	2,000,000	1.33	2,000,000
TSKB A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	C	0.77	1,150,000	0.77	1,150,000
TSKB Gayrimenkul Değerleme A.Ş.	C	0.30	450,000	0.30	450,000
TSKB A.Ş. Memur Müstah. Yardım ve Emeklilik Vakfı	C	0.26	400,000	0.26	400,000
Other shareholders	C	-	-	-	-
Publicly held	C	38.33	57,500,000	38.33	57,500,000
Paid in capital		100.00	150,000,000	100.00	150,000,000

The Company shares are issued to three type of groups; Group A and Group B to names and the Group C to holders. The Group A and Group B shares have the right to vote for the election of members of the Board of Directors (“BOD”). Six members of the BOD shall be elected from candidates of the Group A shareholders and one member shall be elected from candidates of the Group B shareholders. Capital increases in the Group A, B and C shares are issued as the Group A, B and C shares, respectively. If the BOD restricts the right of owning new shares for shareholders, new shares are issued as the Group C shares.

As at 30 June 2016, the nominal paid-in capital of the Company comprises 150,000,000 shares of TL 1 for each (31 December 2015: TL 1, TL 150,000,000).

As at 30 June 2016, registered capital ceiling is TL 200,000,000 (31 December 2015: TL 200,000,000).

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14. EQUITY (continued)

14.2. Restricted reserves

As at 30 June 2016 and 31 December 2015, restricted reserves comprised of the legal reserves amounting to TL 152,670.

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that, the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

14.3. Share premium

Shares with TL 50,000,000 nominal value corresponding 33.33% of the share capital of the Company have been offered to public with a price of TL 1.05 per share on 1 and 2 April 2010 and TL 2,500,000 has been recognised in equity as “Share premium”. Commission, advertising and legal advice expenses attributable to the issuance of shares amounting to TL 1,906,860 have been presented as a deduction from the share premium.

14.4. Actuarial differences

Within the scope of IAS 19, all actuarial loss and gains resulting from the calculation of severance payments are recognized in the other comprehensive income.

Actuarial loss amounting to TL 9,517 is recognised under “Other comprehensive income non reclassified to profit or loss” in the accompanying financial statements.

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15. REVENUE AND COST OF SALES

For the six month period ended 30 June 2016 and 2015, revenue are as follows:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Rental income on Pendorya Mall	3,406,667	1,550,231	3,509,041	1,563,713
Rental income on Fındıklı Building 1	1,965,161	982,580	1,840,893	920,447
Rental income on Fındıklı Building 2	1,872,900	936,471	1,755,554	877,821
Pendorya Mall service and management charges	1,068,036	504,862	1,094,946	489,924
Rental income on Divan Adana Hotel	263,158	159,823	-	-
Rental income on Tahir Building	17,710	8,341	9,906	4,651
Total rental income	8,593,632	4,142,308	8,210,340	3,856,556
Interest income from bank deposits	301,930	169,274	239,004	90,569
Income from reverse repo	212	4	836	836
Total other revenue	302,142	169,278	239,840	91,405
Total revenue	8,895,774	4,311,586	8,450,180	3,947,961

Total revenue from obtained from related parties is TL 3,839,443 (30 June 2015: TL 3,598,472 TL).

For the six month period ended 30 June 2016 and 2015, cost of sales are as follows:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Security expenses	585,845	340,945	408,927	207,932
Taxes and levies	454,753	429,398	439,020	426,558
Management service expenses	335,213	173,524	320,662	171,465
Electricity expenses	319,530	180,855	336,974	141,592
Cleaning expenses	317,215	159,519	271,011	137,874
Maintenance expenses	278,555	146,833	418,178	283,920
Operating service expenses	252,600	126,300	240,000	120,000
Insurance expenses	163,303	84,153	153,645	77,844
Supplies	97,290	53,517	100,114	76,647
Food expenses	83,737	41,826	79,264	40,618
Natural gas expenses	78,159	12,376	93,800	15,689
Transportation expenses	77,425	39,885	23,576	11,788
Water expenses	76,747	56,923	77,337	38,693
Consultancy expenses	40,308	22,782	33,735	18,430
Other expenses	73,796	48,760	72,029	18,856
Total	3,234,476	1,917,596	3,068,272	1,787,906

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16. ADMINISTRATIVE EXPENSES

For the six month period ended 30 June 2016 and 2015, administrative expenses are as follows:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Personel expenses	990,439	465,792	849,368	415,668
Provision for doubtful receivable	168,023	(192,728)	472,133	(86,230)
Consultancy expenses	81,661	22,402	68,220	29,093
Travel and transportation expenses	39,655	19,329	37,335	19,663
Depreciation and amortization expenses	18,613	10,963	15,624	6,342
BIST fee	10,432	10,432	10,560	10,560
Advisory expenses	5,496	3,437	3,942	87
Other expenses	190,962	82,439	120,457	65,685
Total	1,505,281	422,066	1,577,639	460,868

Personnel expenses

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Salaries and wages	594,819	298,269	512,801	278,142
Salaries and other benefits paid to Board of Directors	154,350	80,850	139,650	73,500
Social security expenses	96,854	50,974	74,850	41,121
Provision for bonuses	66,420	26,420	60,441	20,441
Provision for vacation pay liability	41,298	(12,356)	27,213	(15,003)
Provision for employment termination	10,248	6,554	11,297	5,648
Other	26,450	15,081	23,116	11,819
Total	990,439	465,792	849,368	415,668

17. MARKETING EXPENSES

For the six month period ended 30 June 2016 and 2015, marketing expenses are as follows:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Advertising expenses	259,985	77,061	420,334	202,827
Total	259,985	77,061	420,334	202,827

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18. OTHER OPERATING INCOME / EXPENSES

For the six month period ended 30 June 2016 and 2015, other operating income and expenses are as follows:

Other operating income	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Other income	390,817	113,208	414,779	(71,457)
Total	390,818	113,208	414,779	(71,457)

For the six month period ended 30 June 2016, other operating income is comprised of reversal of provisions and collections obtained from doubtful receivables amounting to TL 279,730 and the remaining balance is comprised of other income amounting to TL 111,088 (30 June 2015: reversal of provisions amounting to TL 362,410 and the remaining balance is other income amounting to TL 52,369).

Other operating expenses	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Commission expenses	16,545	448	23,345	674
Other	-	-	629	36
Total	16,545	448	23,974	710

19. FINANCE INCOME / COSTS

For the six month period ended 30 June 2016 and 2015, finance income and costs are as follows:

Finance income	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Other	3,924	2,972	7,079	-
Total	3,924	2,972	7,079	-
Finance costs	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Foreign exchange losses, net	1,393,841	350,367	12,264,064	6,675,708
Interest expenses of funds borrowed	5,422,865	2,466,213	3,174,008	1,536,399
Total	6,816,706	2,816,580	15,438,072	8,212,107

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20. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law numbered 5520, the income of real estate investment trusts is exempt from Corporate Income Tax in Turkey.

Since the Company is exempt from the Corporate Tax in accordance with the law, deferred tax was not calculated.

21. EARNINGS PER SHARE

Earnings per share stated in income statement is calculated by dividing net income for the period by the weighted average number of the Company’s shares for the period. Calculation of the earnings per share for the six month period ended 30 June 2016 and 2015 are presented below:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Net profit for the period	(3,357,077)	(1,171,300)	(12,330,637)	(7,203,648)
Weighted average number of shares	150,000,000	150,000,000	150,000,000	150,000,000
Earnings /(loss) per share	(0.0224)	(0.0078)	(0.0822)	(0.0480)

22. RELATED PARTY DISCLOSURES

22.1. Related party balances

	30 June 2016	31 December 2015
<i>Banks- time</i>		
Türkiye İş Bankası A.Ş.	79,824	80,537
Türkiye Sınai Kalkınma Bankası A.Ş.	-	1,445,618
Total	79,824	1,526,155
<i>Prepaid expenses</i>		
Anadolu Anonim Türk Sigorta Şirketi	202,852	332,998
Total	202,852	332,998
<i>Bank borrowings</i>		
Türkiye İş Bankası A.Ş.	29,428,448	31,206,669
Türkiye Sınai Kalkınma Bankası A.Ş.	-	112,012,813
Total	29,428,448	143,219,482
<i>Due to related parties</i>		
Anadolu Anonim Türk Sigorta Şirketi	162,917	299,838
Total	162,917	299,838

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22. RELATED PARTY DISCLOSURES *(continued)*

22.2. Related party transactions

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Rental income</i>				
Türkiye Sınai Kalkınma Bankası A.Ş.	3,565,451	1,782,726	3,341,255	1,670,628
TSKB Gayrimenkul Değerleme A.Ş.	116,038	58,019	108,741	54,370
TSKB A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfi	5,314	2,657	4,980	2,490
Sürdürülebilir Danışmanlık A.Ş. Yatırım Finansman Menkul Değerler A.Ş.	4,835	2,438	4,618	2,353
	146,423	73,212	136,853	68,426
Total	3,838,061	1,919,052	3,596,447	1,798,267
<i>Interest income</i>				
Türkiye İş Bankası A.Ş.	1,169	689	1,189	671
Türkiye Sınai Kalkınma Bankası A.Ş.	213	4	836	836
Total	1,382	693	2,025	1,507
<i>Interest expense</i>				
Türkiye Sınai Kalkınma Bankası A.Ş.	2,295,121	-	2,419,472	1,143,674
Türkiye İş Bankası A.Ş.	923,738	-	-	-
Total	3,218,859	-	2,419,472	1,143,674
<i>Loans and insurance commission expenses</i>				
Türkiye Sınai Kalkınma Bankası A.Ş.	72	36	312	156
Total	72	36	312	156
<i>Capitalised interest expense</i>				
Türkiye İş Bankası A.Ş.	-	-	921,622	439,575
Total	-	-	921,622	439,575

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22. RELATED PARTY DISCLOSURES *(continued)*

22.2. Related party transaction *(continued)*

Benefits provided to key management personnel

Benefits provided to the Board of Directors, the Audit Committee and the General Manager for the six month period ended 30 June 2016 is TL 647,653 (30 June 2015: TL 412,546).

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- credit risk,
- liquidity risk,
- market risk.

23.1. Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The Company adopts a liquid portfolio management approach for the use of possible property projects and it invests in short-term instruments. The Board of Directors determines the portfolio management strategy for financial assets of the Company and the comparison criteria, considering the economic developments and expectations.

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.1 Credit risk *(continued)*

As at 30 June 2016 and 31 December 2015, credit risk exposure of financial assets are as follows:

30 June 2016	Receivables							
	Trade receivables		Other receivables		Bank Deposits	Financial investments	Derivative instruments	Other
	Related parties	Other parties	Related parties	Other parties				
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	-	1,177,515	-	-	5,457,671	-	-	-
- Maximum credit risk amount secured with guarantees	-	1,177,515	-	-	-	-	-	-
	-	1,177,515	-	-	5,457,671	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	-	-	-	-	-	-	-
B. Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (Gross amount)	-	1,462,426	-	-	-	-	-	-
- Impairment (-)	-	(1,462,426)	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
-Not past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.1. Credit risk *(continued)*

	Receivables							
	Trade receivables		Other receivables		Bank Deposits(*)	Financial investments	Derivative instruments	Other
	Related parties	Other parties	Related parties	Other parties				
31 December 2015								
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	-	924,661	-	-	4,364,678	-	-	-
- Maximum credit risk amount secured with guarantees	-	924,661	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	924,661	-	-	4,364,678	-	-	-
B. Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (Gross amount)	-	1,574,133	-	-	-	-	-	-
- Impairment (-)	-	(1,574,133)	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
-Not past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

(*) Reverse repo transactions are included that shown in cash and cash equivalents.

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.2. Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company uses its funds from borrowings in investment property project developments.

The following table presents the Company’s financial liabilities including interest payments according to their remaining contractual maturities:

30 June 2016	Carrying value	Total contractual cash flows	Up to 3 months	3 months to 12 months	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Funds borrowed	202,234,240	252,660,611	7,324,736	62,310,804	72,572,061	110,453,009
Trade payables	428,464	428,464	428,464	-	-	-
Total	202,662,704	253,089,075	7,753,200	62,310,804	72,572,061	110,453,009

31 December 2015	Carrying value	Total contractual cash flows	Up to 3 months	3 months to 12 months	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Funds borrowed	195,690,969	220,699,634	128,375,725	57,643,549	19,003,247	15,677,113
Trade payables	892,197	892,197	892,197	-	-	-
Total	196,583,166	221,591,831	129,267,922	57,643,549	19,003,247	15,677,113

As at 30 June 2016 and 31 December 2015, the Company does not have any derivative financial liabilities.

23.3. Market risk

The Company is exposed to various market risks, including the effects of changes in exchange rates, interest rates, equity prices and credit spreads.

The total risk management program of the Company focuses on the unpredictability of the financial markets and aims at reducing the potential negative effects on the Company’s financial performance.

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.3. Market risk *(continued)*

Foreign currency risk

Exchange risk comprises the effects arising from exchange movements in the event foreign currency assets, liabilities and off-balance sheet items are owned.

In order to offset the effects of long term foreign currency liabilities, the Company signs foreign currency denominated rent agreements in Pendorya Mall.

The exchange rates applied as at 30 June 2016 and 31 December 2015 are as follows:

	USD	EURO
30 June 2016	2.8936	3.2044
31 December 2015	2.9076	3.1776

The following table details the Company’s foreign currency position risk as at 30 June 2016 and 31 December 2015. The foreign currency assets and liabilities kept by the Company in TL are as follows:

30 June 2016	TL equivalent (functional currency)	USD	EURO
Monetary financial assets (Cash, bank balances included)	79,826	-	24,911
Total assets	79,826	-	24,911
Short-term funds borrowed	61,831,756	989,248	18,402,592
Long-term funds borrowed	140,402,484	8,170,500	36,437,500
Total liabilities	202,234,240	9,159,748	54,840,092
Net foreign currency position	(202,154,414)	(9,159,748)	(54,815,181)

31 December 2015	TL equivalent (functional currency)	USD	EURO
Monetary financial assets (Cash, bank balances included)	1,526,154	-	480,285
Total assets	1,526,154	-	480,285
Short-term funds borrowed	168,403,552	13,380,162	40,753,837
Long-term funds borrowed	27,287,412	8,589,500	727,778
Other liabilities	264,942	-	83,378
Total liabilities	195,955,906	21,969,662	41,564,993
Net foreign currency position	(194,429,757)	(21,969,662)	(41,084,708)

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.3. Market risk *(continued)*

Foreign currency risk *(continued)*

Foreign currency sensitivity

A 10% appreciation / depreciation of TL against the foreign currencies at 30 June 2016 and 31 December 2015 would have changed other comprehensive income and profit or loss (except tax effect) by the amounts shown below:

	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
30 June 2016				
10% change of the USD against TL				
1- Net USD asset/liability	(2,650,465)	2,650,465	(2,650,465)	2,650,465
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(2,650,465)	2,650,465	(2,650,465)	2,650,465
10% change of the EURO against TL				
4- Net EURO asset/liability	(17,564,977)	17,564,977	(17,564,977)	17,564,977
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	(17,564,977)	17,564,977	(17,564,977)	17,564,977
TOTAL (3+6)	(20,215,442)	20,215,442	(20,215,442)	20,215,442
31 December 2015				
10% change of the USD against TL				
1- Net USD asset/liability	(6,387,899)	6,387,899	(6,387,899)	6,387,899
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(6,387,899)	6,387,899	(6,387,899)	6,387,899
10% change of the EURO against TL				
4- Net EURO asset/liability	(13,055,077)	13,055,077	(13,055,077)	13,055,077
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	(13,055,077)	13,055,077	(13,055,077)	13,055,077
TOTAL (3+6)	(19,442,976)	19,442,976	(19,442,976)	19,442,976

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.3. Market risk *(continued)*

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

The table below shows the financial instruments sensitive to interest rates as at 30 June 2016 and 31 December 2015:

	30 June 2016	31 December 2015
<i>Financial instruments with fixed interest rates</i>		
Financial assets	5,321,079	4,364,678
Financial liabilities	52,902,005	52,471,487
<i>Financial instruments with variable interest rates</i>		
Financial liabilities	149,332,235	143,219,482

Weighted average interest rates which are applied to financial instruments as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016		31 December 2015	
<i>Financial instruments</i>				
Banks-Time	TL	11.43%	TL	11.00%
Banks-Time	Euro	1.00%	Euro	1.15%
Bank borrowings	USD	6.41%	USD	6.35%
Bank borrowings	Euro	3.66%	Euro	3.40%

Interest rate sensitivity

As at 30 June 2016, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The analysis is performed on the same basis for 30 June 2016.

	Profit/loss		Equity^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2016				
Financial liabilities with variable interest rates	(776,216)	663,626	(776,216)	663,626
	Profit / loss		Equity^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2015				
Financial liabilities with variable interest rates	(629,852)	630,033	(629,852)	630,033

^(*) Profit/loss impact is included.

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

23.4. Capital management

The Company manages its capital by reducing its investment risk to the lowest level with effective portfolio management. The aim of the Company is to maintain sustainable returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company considers having a strong capital structure for future investments beside the legislation in its dividend distribution policy.

24. FINANCIAL INSTRUMENTS

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company’s accounting policies and disclosures require the determination of fair value for financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

Financial assets

The Company assumes that the carrying values of cash and cash equivalents and trade receivables are close to their fair value because of their short-term nature.

Financial liabilities

The Company assumes that the carrying values of the trade payables and other liabilities are close to their fair value because of their short-term nature.

Bank borrowings are measured with their amortised costs by adding transaction costs to their acquisition costs. It is assumed that carrying values of borrowings are close to their fair values as variable rate borrowings are repriced considering the market conditions. The fair value of fixed rate borrowings are close to carrying value.

25. EVENTS AFTER THE REPORTING PERIOD

None.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016-ADDITIONAL NOTE**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

ADDITIONAL NOTE COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

According to the Communiqué Serial: III, No. 48.1 promulgated by CMB, “Communiqué on Principles Regarding Real Estate Investment Companies”, compliance control of the portfolio restrictions of the Company is as follows:

The main accounts of separate financial statements	Related regulation	30 June 2016	31 December 2015
A Capital and money market instruments	Serial:III, No:48.1, Article 24 / (b)	5,457,671	4,364,678
B Real estates, rights supported by real estates and real estate projects	Serial:III, No:48.1, Article 24 / (a)	404,699,605	403,652,500
C Subsidiaries (*)	Serial:III, No:48.1, Article 24 / (b)	88,289	297,813
Due from related parties (other receivables)	Serial:III, No:48.1, Article 23 / (f)	-	-
Other assets		12,437,647	13,370,504
D Total assets	Serial:III, No:48.1, Article 3 / (k)	422,683,212	421,685,495
E Funds borrowed	Serial:III, No:48.1, Article 31	202,234,240	195,690,969
F Other financial liabilities	Serial:III, No:48.1, Article 31	-	2,283,682
G Financial lease obligations	Serial:III, No:48.1, Article 31	-	-
H Due to related parties (other payables)	Serial:III, No:48.1, Article 23 / (f)	-	-
I Equity	Serial:III, No:48.1, Article 31	216,190,219	219,547,296
Other liabilities		4,258,753	4,163,548
D Total liabilities and equity	Serial:III, No:48.1, Article 3 / (k)	422,683,212	421,685,495
Other separate financial information	Related regulation	30 June 2016	31 December 2015
A1 Capital and money market instruments amount held for 3-year real estate payments	Serial:III, No:48.1, Article 24 / (b)	-	-
A2 Time balances / demand balances TL / foreign currency	Serial:III, No:48.1, Article 24 / (b)	5,457,671	4,364,678
A3 Foreign capital market instruments	Serial:III, No:48.1, Article 24 / (d)	-	-
B1 Foreign real estates, rights supported by real estates and real estate projects	Serial:III, No:48.1, Article 24 / (d)	-	-
B2 Inactive land	Serial:III, No:48.1, Article 24 / (c)	-	-
C1 Foreign subsidiaries	Serial:III, No:48.1, Article 24 / (d)	-	-
C2 Participating to operating company	Serial:III, No:48.1, Article 28	-	-
J Non-cash loans	Serial:III, No:48.1, Article 31	3,000,000	3,068,500
K Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	Serial:III, No:48.1, Article 22 / (e)	-	-
The sum of money and capital market instruments for investment in a single			
L company	Serial:III, No:48.1, Article 24 / (b)	-	-

(*) According to the Communiqué Serial: III, No. 48.1, Adana Otel Projesi Adi Ortaklığı and Anavarza Otelcilik Anonim Şirketi are not subject to portfolio restriction since they are not considered as subsidiary. The financial figures in the table includes value of Adi Ortaklık and Anavarza Otelcilik Anonim Şirketi by using equity method.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016-ADDITIONAL NOTE***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***ADDITIONAL NOTE COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS (continued)**

Portfolio restrictions	Related regulation	30 June 2016	31 December 2015	Max / Min ratio
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	Serial:III, No:48.1, Article 22 / (e)	0%	0%	≤ 10%
2 Real estates, rights supported by real estates and real estate projects	Serial:III, No:48.1, Article 24 / (a), (b)	96%	96%	≥ 51%
3 Capital and money market instruments and subsidiaries	Serial:III No:48.1, Article 24 / (b)	1%	1%	≤ 49%
4 Foreign real estates, rights supported by real estates and real estate projects, subsidiaries and capital market instruments	Serial:III No:48.1, Article 24 / (d)	0%	0%	≤ 49%
5 Inactive land	Serial:III No:48.1, Article 24 / (c)	0%	0%	≤ 20%
6 Participating to operating company	Serial:III No:48.1, Article 28	0%	0%	≤ 10%
7 Borrowings limits	Serial:III No:48.1, Article 31	95%	92%	≤ 500%
8 Time balances / demand balances TL / foreign currency	Serial:III No:48.1, Article 24 / (b)	1%	1%	≤ 10%
9 The sum of money and capital market instruments for investment in a single company	Serial:VI No:11, Article 22/(I)	0%	0%	≤ 10%